

Appendix H

Notes on Maritime Insurance Rates

This initiative was to see if commercial maritime insurance underwriters assess a war risk surcharge on vessels operating in or around areas of increased tension or conflict. If there is such a surcharge and if historical data on its magnitude, the vessels effected, and the dates for which the surcharge was applied could be obtained, we could then test hypotheses about whether naval actions have any impact on maritime insurance rates.

Research was conducted to determine if the maritime insurance industry alters maritime insurance rates on commercial vessels when commercial vessels are expected to operate in areas considered by the maritime industry to be at increased risk. . Eventually, the identification of a War Risk Surcharge was provided by Ms. Kathy Brennan, Client Manager, Marsh Canada Limited. It was further determined that the war risk surcharge (WRS) is set by the War Risk Rating Committee (WRRC) at the Institute of London Underwriters. However, questions concerning the WRRC and WRS addressed to Mr. Neil Smith, Secretary of the WWRC, have not been answered. The researcher also requested historical data on when the WRS was added to and eliminated from maritime insurance rates. Nine specific events that resulted in the presence of US naval forces were provided to Mr. Smith in order to determine if a correlation between the US naval presence and WRS existed. The dates and events were:

1. 18 Aug 1981 – 21 Aug 1981 (Libya)
2. 13 Jan 1986 – 15 Apr 1986 (Libya)
3. 1 Oct 1986 – 31 Mar 1987 (Tanker Wars, Persian Gulf)
4. 1 Jul 1990 – 31 Mar 1991 (Operation Desert Storm, Persian Gulf)
5. 12 Jul 1994 – 15 Oct 1994 (Operation Restore Democracy, Haiti)
6. 1 Sep 1994 – 30 Nov 1994 (Kuwaiti Border Incident)
7. 1 May 1995 – 31 Dec 1996 (Taiwan Strait Crisis)
8. 2 Sep 1996 – 3 Sep 1996 (Operation Desert Strike, Persian Gulf)
9. 1 Sep 1998 – 31 Jan 1999 (Operation Desert Fox, Persian Gulf)

No data has been provided by Mr. Smith (Neil Smith, Institute of London Underwriters, London England; e-mail: neil.smith@lloydsus.co.uk and lua@lua.e-market.net.uk; phone: 011-44-171-327-3333). Thus, for the present study at least, it was not possible to determine if naval crisis response has any impact on maritime shipping insurance rates.